



Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.

## Corporate Governance Rating Report



**Kafein**  
technology solutions

**11 September 2023**

## **CONTENTS**

Rating and Executive Summary . . . . .	3
Rating Methodology . . . . .	5
Company Overview . . . . .	6
<b>SECTION 1: SHAREHOLDERS . . . . .</b>	<b>8</b>
Facilitating the Exercise of Shareholders' Statutory Rights . . . . .	8
Shareholders' Right to Obtain and Evaluate Information . . . . .	8
General Shareholders' Meeting . . . . .	9
Voting Rights . . . . .	9
Minority Rights . . . . .	10
Dividend Rights . . . . .	10
Transfer of Shares . . . . .	10
<b>SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY . . . . .</b>	<b>11</b>
Corporate Web Site . . . . .	11
Annual Report. . . . .	12
External Audit. . . . .	13
<b>SECTION 3: STAKEHOLDERS. . . . .</b>	<b>14</b>
Company Policy Regarding Stakeholders . . . . .	14
Stakeholders' Participation in the Company Management . . . . .	14
Company Policy on Human Resources . . . . .	14
Relations with Customers and Suppliers . . . . .	15
Ethical Rules & Social Responsibility . . . . .	16
Sustainability . . . . .	16
<b>SECTION 4: BOARD OF DIRECTORS. . . . .</b>	<b>17</b>
Functions of the Board of Directors . . . . .	17
Principles of Activity of the Board of Directors . . . . .	17
Structure of the Board of Directors . . . . .	18
Conduct of the Meetings of the Board of Directors . . . . .	18
Committees Established Within the Board of Directors . . . . .	18
Remuneration of the Board of Directors and Managers With Administrative Responsibility . . . . .	20
Rating Definitions . . . . .	21

## Rating and Executive Summary

### KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş.

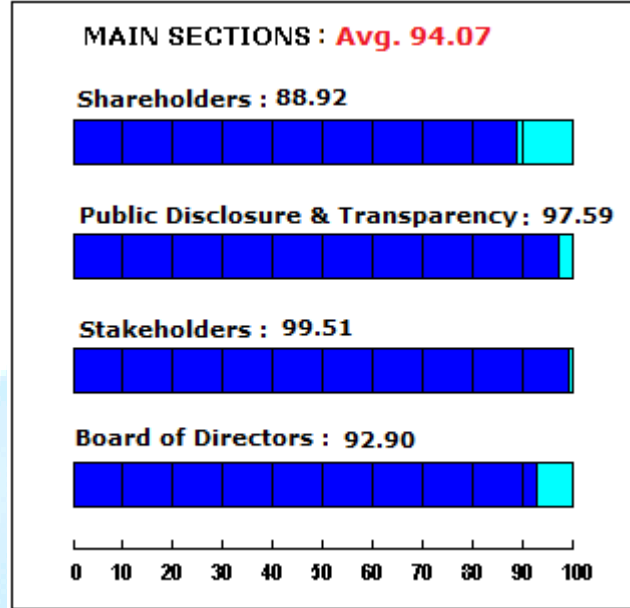


Corporate Governance Rating:

**9.41**



### EXECUTIVE SUMMARY



The Corporate Governance Rating score for Kafein Yazılım Hizmetleri Ticaret A.Ş. (Kafein, the Company) has been determined as 9.41. SAHA's rating methodology is based on the Capital Markets Board's ("CMB") "Corporate Governance Principles" released on January of 2014.

The Company's corporate governance rating has shaped up as above in consideration with the importance given by Kafein Yazılım Hizmetleri Ticaret A.Ş. to corporate governance principles, its willingness to carry out the compliance process continuously and dynamically and improvements which had been initiated in this direction.

SAHA publishes (annually) the World Corporate Governance Index (WCGI) which ranks countries in terms of their level of compliance with corporate governance principles as well as their germane institutions, rules, codes, and regulations together with international standards and indices which evaluate countries in a vast array of areas such as transparency, corruption, ease of doing business, etc.. Kafein Yazılım Hizmetleri Ticaret A.Ş. is analyzed as a Turkish Bank and Turkey takes place at the top classification of the WCGI which is Group 1. Details of the World Corporate Governance Index (WCGI) published by SAHA on July 12, 2023 can be accessed at <http://www.saharating.com>.

Kafein is rated with **8.89** under the **Shareholders** heading. Exercise of shareholders' rights complies with the legislation, Articles of Association and other internal rules and regulations, and measures have been taken to ensure the exercise of these rights. Shareholders' written requests for information about the Company are responded to. All procedures prior to the general shareholders' meeting as well as the conduct of the meeting comply with the legislation. A policy on donations and grants has been established and submitted to the general shareholders' meeting for approval. The Company has a consistent and publicly disclosed dividend policy. There are no restrictions on the transfer of traded shares. The Board of Directors has resolved to add a provision to the internal directive of the general shareholders' meeting to hold general shareholders' meetings open to the public. On the other hand, the rate of minority rights in the Company's Articles of Association is adopted as prescribed for public joint stock companies (%5). There are privileges in voting rights and nomination of candidates.

Kafein attained **9.76** under the **Public Disclosure and Transparency** chapter. There is a comprehensive web site which includes all information listed in the Corporate Governance Principles pertinent to "Public Disclosure". Public announcements are carried out via all communications channels and are in accordance with the CMB and Borsa Istanbul rules and regulations. The web site is also prepared in English for the benefit of international investors. The Annual Report is comprehensive and informative, however non-disclosure of all benefits provided to the members of the Board of Directors and senior executives in the Annual Report on an individual basis has been identified as an area open to improvement under this heading.

On the topic of **Stakeholders**, Kafein scored **9.95**. The use of the rights of the stakeholders has been facilitated. A written compensation policy for the employees is established and disclosed to public on the corporate web site. No public fines/sanctions were incurred during the rating period. Code of ethics is publicly available on the corporate web site. Mechanisms supporting the participation of stakeholders in the Company management are documented in writing through internal regulations. The Company has a written human resources policy. Sustainability policy and implementations are satisfactory. Social responsibility activities are at a high level.

From the perspective of the principles regarding the **Board of Directors**, Kafein's tally is **9.29**. There are well communicated Company vision and strategic goals. The Board of Directors consist of six members, of which four hold executive duties. There are two independent and two female members on the Board of Directors. CMB criteria are complied with for the appointment of independent members. Corporate Governance, Audit, and Early Determination of Risk Committees are established within the Board and their working principles are disclosed to the public. Principles of remuneration of Board members and senior executives are available on the Company's web site. Kafein does not lend any funds or extend any credits to a member of the Board or to senior executives. There is an executive liability insurance that meets the conditions set out in the Communiqué. There is an HR Working Principles and Code of Conduct directive approved by the Board of Directors. A target ratio of not less than 25% and a target time has been set for female membership on the Board of Directors. On the other hand, all benefits provided to Board members and senior executives are disclosed to the public collectively; disclosure on an individual basis is essential.

## Rating Methodology

SAHA's methodology for rating the degree of compliance with the Principles of Corporate Governance is based upon the CMB's "Corporate Governance Principles" released on January 2014.

The CMB based these principles on the leading work of The World Bank, The Organization of Economic Cooperation and Development (OECD), and the Global Corporate Governance Forum (GCGF) which has been established in cooperation with the representatives of the preceding two organizations and private sector. Experts and representatives from the CMB, Borsa Istanbul and the Turkish Corporate Governance Forum have participated in the committee that was established by the CMB for this purpose. Additionally; many qualified academicians, private sector representatives as well as various professional organizations and NGOs have stated their views and opinions, which were added to the Principles after taking into account country specific issues. Accordingly, these Principles have been established as a product of contributions from all high-level bodies.

Certain applications of the Principles are based on "comply or explain" approach and others are mandatory. However, the explanation concerning the implementation status of the Principles, if not detailed reasoning thereof, conflicts arising from inadequate implementation of these Principles, and explanation on whether there is a plan for change in the Company's governance practices in future should be mentioned in the annual report and disclosed to public.

The Principles consist of four main sections: shareholders, public disclosure and transparency, stakeholders, and the board of directors.

Based on these Principles, the SAHA Corporate Governance Rating methodology features around 330 sub-criteria. During the rating process, each criterion is evaluated on the basis of information provided by the Company officials and disclosed publicly. Some of these criteria can be evaluated by a simple YES/NO answer; others require more detailed analysis and examination.

SAHA assigns ratings between 1 (weakest) and 10 (strongest). In order to obtain a rating of 10, a company should be in full and perfect compliance with the Principles (see Rating Definitions, p.21).

To determine the total rating score for each main section parallel to the CMB's Corporate Governance Principles, SAHA allocates the following weights:

Shareholders: **25%**

Public Disclosure and Transparency: **25%**

Stakeholders: **15%**

Board of Directors: **35%**

To determine the final overall rating, SAHA utilizes its proprietary methodology which consists of sub-section weightings and weightings for the criteria there under. A separate rating is assigned to each one of the main sections as well.

## Company Overview

Kafein Yazılım Hizmetleri Ticaret A.Ş.	
	<b>CHAIRMAN OF THE BOARD</b> Ali Cem Kalyoncu <b>GENERAL MANAGER</b> Ali Cem Kalyoncu
Çifte Havuzlar Mah., Eski Londra Asfaltı Cad., Kuluçka Mrk., A2 Blok, No: 151/1B, İç Kapı No: B01, Esenler, İstanbul <a href="https://www.kafein.com.tr/">https://www.kafein.com.tr/</a>	<b>Investor Relations Department</b> Zehra Uluç Tel: 0212 924 20 30 <a href="mailto:yatirimci@kafein.com.tr">yatirimci@kafein.com.tr</a>

Kafein Yazılım Hizmetleri Ticaret A.Ş. was founded in 2005 to develop software solutions. The Company offers Telecommunication BSS (Business Support System), application development, test/test automation, project management, turnkey software solution, consultancy, outsourcing and managed services as well as data analysis, data mining and data archiving services.

National and global customers in the technology, banking, telecom, tourism, manufacturing, service, retail and insurance sectors use Kafein's mobile payment systems, e-commerce and telecommunication technology software, and receive technology management services.

With 700 employees, the Company develops technologies in the fields of big data analysis, KVKK (Personal Data Protection Law), security and mobile applications, and carries out R&D projects with global partners and TÜBİTAK (The Scientific and Technological Research Council of Turkey).

One of Kafein's subsidiaries with a product portfolio in the field of intranet software and cyber security, Karmasis, offers solutions that enable companies to manage quality management and occupational health and safety processes from a single point.

The Company shares are traded under "KFEIN" ticker symbol at BIST Main Market and Kafein is a constituent of BIST DIVIDEND / BIST INFORMATION TECHNOLOGY / BIST TECHNOLOGY / BIST MAIN / BIST ALL SHARES-100 / BIST ALL SHARES, and BIST ISTANBUL indices.

The capital structure of the Company as of the date of our report:

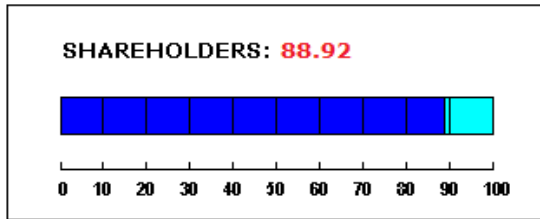
<b>Kafein Yazılım Hizmetleri Ticaret A.Ş. Capital Structure</b>		
<b>Shareholders</b>	<b>Share Value (TL)</b>	<b>Share %</b>
ALİ CEM KALYONCU	4,940,382	25.01
OTHER	14,809,618	74.99
<b>TOTAL</b>	<b>19,750,000</b>	<b>100.00</b>

Formation of the Board of Directors as of the date of our report is as follows:

<b>KAFEİN YAZILIM HİZMETLERİ TİCARET A.Ş. Board of Directors</b>	
<b>Members</b>	<b>Title</b>
ALİ CEM KALYONCU	Chairman of the Board Executive
NEVAL ÖNEN	Vice-chairman Executive
HATİCE SEVİM ORAL	Board Member Executive
KENAN SÜBEKÇİ	Board Member Executive
MURAT ETHEM SÜMER	Board Member Non-Executive Independent Member Chairman of the Audit Committee Chairman of the Early Determination of Risk Committee Member of the Corporate Governance Committee
İBRAHİM SEMİH ARSLANOĞLU	Board Member Non-Executive Independent Member Chairman of the Corporate Governance Committee Member of the Audit Committee Member of the Early Determination of Risk Committee



## SECTION 1: SHAREHOLDERS



### SYNOPSIS

+	Equal treatment of shareholders
+	Unrestricted shareholder rights to review and receive information
+	General shareholders' meetings are conducted in compliance with the legislation
+	Detailed dividend distribution policy
+	No restrictions on transfer of shares
+	Policy on donations and grants is established and submitted to the general shareholders' meeting for approval
=	The rate stipulated in the legislation has been adopted for minority rights
-	Existence of voting privileges
-	Disclosure policy not yet submitted to the general shareholders' meeting
-	Privilege to nominate candidates for the Board of Directors

#### 1.1. Facilitating the Exercise of Shareholders' Statutory Rights:

The Investor Relations Department submits a report to the Board of Directors on an annual basis and ensures that the Board and senior management are informed about developments in a timely manner.

Information requests from shareholders, institutional investors, investment enterprises and analysts are responded to by phone and e-mail throughout the year. Ms. Zehra Uluç is the manager of Investor Relations Department.

The Investor Relations Department maintains healthy and up-to-date shareholder records, responds to shareholders' written requests for information, ensures that the general shareholders' meeting is held in accordance with applicable legislation, the Articles of Association and other Company regulations, prepares documents that may be used by shareholders at the general shareholders' meeting and reports to the Board of Directors on its activities.

Information and explanations that may affect use of shareholders' rights are available and up to date on the corporate web site.

All shareholders are given the opportunity to attend informative gatherings other than the general shareholders' meetings.

#### 1.2. Shareholders' Right to Obtain and Evaluate Information:

The Company management avoids taking any action that would make it difficult to conduct a special audit.

All kinds of information about the Company that are not trade secrets are provided in a complete and honest manner, on time and in a diligent manner.

No dispute has been brought to court on the grounds that shareholders' requests for information and



examination have been left unanswered or rejected unfairly.

On the other hand, the Company's disclosure policy has not yet been submitted to the general shareholders' meeting.

### **1.3. General Shareholders' Meeting:**

In addition to the methods of invitation in the legislation and in order to ensure attendance of maximum number of shareholders, the invitation to the ordinary general shareholders' meeting held on April 17, 2023 is performed through all means of communication available to the Company on March 17, 2023 in accordance with the Corporate Governance Principles.

All announcements prior to the general shareholders' meeting included information such as the date and time of the meeting; without any ambiguity exact location of the meeting; agenda items of the meeting; the body inviting to the general shareholders' meeting; and the exact location where the Annual Report, financial statements and other meeting documents can be examined. A descriptive disclosure document on agenda items has also been prepared.

Commencing from the date of announcement of invitation for the general shareholders' meeting; the Annual Report, financial statements and reports, and all other related documents pertaining to the agenda items are made available to all shareholders for examination purposes in convenient locations including the headquarters of the Company, and the electronic media. The total number of shares and voting rights reflecting the Company's shareholding structure, information on the election of the members of the Board of Directors and their resumes are disclosed.

Agenda items were put under a separate heading and expressed clearly in a manner not to result in any misinterpretations. Expressions like "other" and "various" were not used. Information submitted to the shareholders prior to the conduct of the general shareholders' meeting was related to the agenda items.

The general shareholders' meeting was held at the Company's headquarters and the items on the agenda were conveyed in detail and in a clear and understandable way by the chairman of the meeting and shareholders were given equal opportunity to voice their opinions and submit questions.

The members of the Board of Directors related with those issues of a special nature on the agenda, other related persons, authorized persons who are responsible for preparing the financial statements and auditors were present to give necessary information and to answer questions at the general shareholders' meeting.

The Company has established a policy on donations and grants and submitted it to the general shareholders' meeting for approval. Meeting minutes are available in writing, and accessible to all shareholders at all times on the corporate web site.

### **1.4. Voting Rights:**

The Company avoids practices that make it difficult to exercise the voting right and all shareholders, including those who reside abroad, are given the opportunity to exercise their rights conveniently and appropriately.

Voting privileges do exist, with Group A and B shares having 15 voting rights at the General Assembly. There is also a privilege to nominate candidates for the 6-member Board of Directors. 2 members are elected from among Group A shareholders or candidates

nominated by them, and 1 member is elected from among Group B shareholders or candidates nominated by them.

shareholders' meeting contain any provisions that impede the transfer of shares.

### **1.5. Minority Rights:**

Maximum care is given to the exercise of minority rights. However, minority rights are not recognized for shareholders who hold an amount less than one-twentieth of the share capital and the Company has adopted exactly the rate foreseen in the legislation for listed companies.

There is no evidence of any conflict of interest between the majority shareholders and that of the Company.

### **1.6. Dividend Rights:**

The dividend policy of the Company is clearly defined and disclosed to public on the corporate web site. It is submitted to the shareholders for approval at the general shareholders' meeting and publicly disclosed on the corporate web site. The dividend distribution policy contains minimum information clear enough for investors to predict any future dividend distribution procedures and principles.

A balanced policy is followed between the interests of the shareholders and those of the Company.

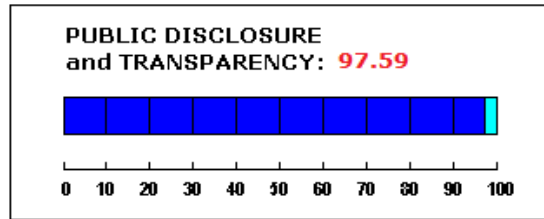
The Company's Articles of Association contain a provision on advance dividend payments.

### **1.7. Transfer of Shares:**

Practices that impede the free transfer of shares are avoided and there are no sanctions or penalties in this regard.

Neither the Articles of Association nor any decisions adopted at the general

## SECTION 2: PUBLIC DISCLOSURE AND TRANSPARENCY



SYNOPSIS	
+	Comprehensive web site, actively used for public disclosure
+	All Company policies, financial reports, general assembly information, ethical principles, Committees and their working principles are available on the web site
+	Annual Report complies with the legislation, comprehensive and informative
+	Agreement and studies conducted with external auditors comply with the legislation
+	English version of the web site for the benefit of international investors
+	Declarations of independence of the independent Board members are included in the Annual Report
+	Names and rate of shares held by the Company's individual shareholders over 5% as identified after being released from indirect or cross shareholding relationships between co-owners is disclosed to the public
=	Benefits provided to Board members and senior executives are disclosed to the public collectively, not on individual basis

### 2.1. Corporate Web Site:

Company's web site is actively used for disclosure purposes and the

information contained therein is timely updated.

Along with the information required to be disclosed pursuant to the legislation, the corporate web site includes; trade register information, information about latest shareholder and management structure, the date and the number of the trade registry gazette on which the changes are published along with the final version of the Company's Articles of Association, publicly disclosed material information, periodical financial statements, annual reports, prospectuses and circulars and other public disclosure documents, agendas of the general shareholders' meetings and list of participants and minutes of the general shareholders' meeting, form for proxy voting at the general shareholders' meeting, disclosure policy, dividend distribution policy, ethical rules of the Company, information requests, questions and notices received by the Company under the heading of frequently asked questions, and responses thereof.

The information contained on the web site exists also in English for the benefit of international investors and is identical to the Turkish content.

The Company's web site also includes; investor presentations, working principles of the Committees, policy on donations and grants, important Board resolutions under the heading of material disclosures, the vision/mission of the Company established by the Board of Directors, information on dividend payments and capital increases, general shareholders' meeting internal guidelines, news, social responsibility activities, information on senior management, financial data, main ratio analyses,

timetable on events and developments which may interest investors, and the human resources policy.

The Company posted its CGIF and CRF notifications via PDP on on March 10, 2023 within the specified notification period.

On the other hand, all benefits provided to the members of the Board of Directors and senior executives are provided collectively and it is essential to provide this information on individual basis as per the Communiqué.

## **2.2. Annual Report:**

It is assessed that the Board of Directors has prepared the Annual Report in sufficient detail to ensure that the public has access to complete and accurate information about the Company's activities, covering information such as;

- Period covered by the Report, the title of the Company, trade register number, contact information,
- The names and surnames of the chairman and members served on the Board and supervisory boards during the covered period, their limits of authority and term of office (with start and end dates),
- The sector in which the Company operates and information on its position in this sector,
- Qualifications of the departments of the Company, general explanations related to their activities and performances, and yearly developments,
- Progress on investments,
- CGIF and CRF templates,
- Information on related party transactions,

- Other issues not included in the financial statements, but are beneficial for users,
- Company's organization, capital and ownership structure and changes in the related accounting period, if any,
- All benefits provided to staff and workers, information on number of personnel,
- Explanations on privileged shares along with their amount,
- R&D studies,
- The dividend distribution policy,
- Basic ratios on the financial position, profitability and solvency,
- Company's financing resources and risk management policies,
- Information on major events occurred between the closing of the accounting period and the date of the general shareholders' meeting where financial statements are evaluated.

In addition to the content specified in the legislation, the following also took place in the Annual Report:

- Information on external duties of Board members and executives,
- Members of the Committees within the Board, meeting frequency and their working principles along with the activities carried out, assessment of the Board of Directors on the effectiveness of the Committees,
- The number of Board meetings held during the year and participation status of the members,

- Information on whether there are any legislative changes that may significantly affect the Company's activities,
- Major law suits filed against the Company and possible consequences,
- Information on cross shareholding in excess of 5% of the capital,
- Benefits and vocational training of employees, and other Company activities that give rise to social and environmental results,
- Rating results,
- The Corporate Governance Compliance Report.

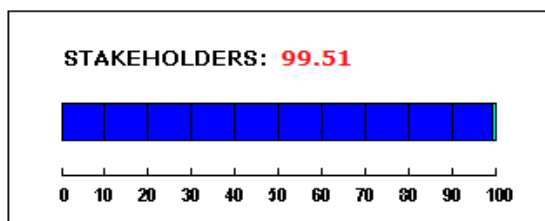
### **2.3. External Audit:**

The external audit of Kafein is conducted by Kavram Bağımsız Denetim ve Danışmanlık A.Ş.

Independent audit firm and their audit staff did not provide consulting services for a price or free of charge during the audit period.

No consulting company in which the external audit firm is in a dominant position either directly or indirectly in management or capital provided any consulting services during the same period.

## SECTION 3: STAKEHOLDERS



### SYNOPSIS

+	Measures to safeguard stakeholders' rights are facilitated
+	A set of ethical rules has been prepared and disclosed to the public
+	A written employee compensation policy is established and disclosed to the public
+	Mechanisms have been developed to support the participation of stakeholders in the Company's management
+	No public penalties/sanctions imposed during the rating period
+	Sustainability policy and practices are satisfactory
+	High level of corporate social responsibility activities

### 3.1. Company Policy Regarding Stakeholders:

Kafein recognizes the rights of stakeholders established by law or through any other mutual agreement. In case the rights of the stakeholders are not regulated by the relevant legislation and protected by contracts, the Company protects the interest of stakeholders under good faith principles and within the capabilities of the Company. Effective and expeditious compensation is provided in case of violation of the rights.

It has been evaluated that the web site of the Company is actively used to provide adequate information on policies and procedures towards the protection of stakeholders' rights.

The corporate governance implementation of the Company ensures that its stakeholders, including its employees and representatives, report their concerns regarding any illegal or unethical transactions to the management.

In addition, a written employee compensation policy is established and disclosed to the public.

### 3.2. Stakeholders' Participation in the Company Management:

It has been determined that the Company has developed models to support the participation of stakeholders, particularly the employees, in management in a manner not to hinder the Company's operations. The stakeholder policy is available and published on the corporate web site.

Opinions of stakeholders are taken in important decisions that have consequences for them.

### 3.3. Company Policy on Human Resources:

The Company has a written human resources policy and disclosures on human resources practices are generally posted on the corporate web site.

In this context, Kafein offers equal opportunity to persons with the same qualifications in recruitment and career planning.

In cases which management reshuffle could cause disruptions, a succession planning for determination of new manager appointments is in place. There is a key management personnel planning procedure.

In addition, as evidenced from both the human resources practices disclosed to the public by the Company, and the CRF and CGIF notifications;

- The criteria for hiring employees are documented in writing and the Company complies with these criteria.
- All employees are treated with fairness and equality in terms of the benefits provided to them; training programs are provided to enhance employee knowledge, skills and conduct; and training policies are formulated.
- Informative meetings are organized for employees about the Company's financial position as well as compensation, career, training and health related issues where opinions are exchanged.
- Employees or their representatives are notified of the decisions taken regarding the employees or the developments concerning the employees.
- Job descriptions and distribution of tasks as well as performance and rewarding criteria are announced to the employees.
- Productivity is a major criterion in determining the salary and other benefits provided.
- Measures are adopted to prevent discrimination on the basis of race, religion, language and sex among the employees, to ensure human rights are respected and to protect the employees against internal

physical, mental and emotional abuse.

- Safe working environment and conditions are provided for employees.

The Company supports the effective recognition of the right to freedom of association and collective bargaining. Safe working environment and conditions are provided for employees.

Starting from planning the Company's workforce needs, all human resources systems such as recruitment and placement, performance management, talent management, training and development management, wage and benefits management, and rewarding are operated within the framework of the principle of ensuring, encouraging and rewarding continuous development and superior performance. In this context, employee development is included in the annual individual targets of both all managers and all employees, and performances are measured.

The Company is committed to full compliance with the Universal Declaration of Human Rights, ILO (International Labor Organization) conventions ratified by Turkey, and the legal framework and legislation governing human rights and working life in Turkey.

### **3.4. Relations with Customers and Suppliers:**

Measures are taken to ensure customer satisfaction in the marketing and sales of goods and services.

The Company notifies customers when there is a delay in processing their requests for goods and services purchased.

Confidentiality of information about customers and suppliers is taken into



account within the scope of trade secrets.

There is no evidence of non-market pricing of goods and services.

### **3.5. Ethical Rules & Social Responsibility:**

There is a code of ethics disclosed to the public on the corporate web site.

During the rating period, there were no practices/sanctions imposed on the Company by public authorities.

In addition, the Company has declared that it fights against all forms of corruption, including extortion and bribery, through its CRF notification and published its anti-bribery and anti-corruption policy on its web site.

We have come to the conclusion that the Company complies with environmental, consumer and public health regulations and ethical rules, and respects internationally recognized human rights. A corporate human rights and employee rights policy is in place.

### **3.6. Sustainability:**

The Company has policies and internal regulations on environment, nature, energy saving, recycling and education. Within the scope of these efforts, the sustainability report focuses on achieving positive results in four main areas. These areas are derived from the UN Sustainable Development Goals and the UN Global Compact Principles and include "Environmental Principles, Social Principles, Stakeholder Communication and Corporate Governance".

The Company disclosed its sustainability report, which includes the social, economic and environmental impacts of its activities and the results

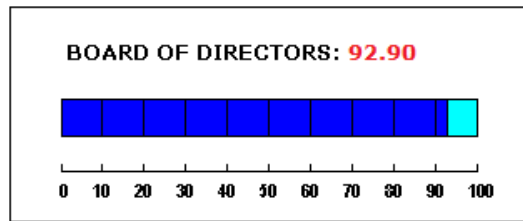
obtained from these studies, to the public via the corporate web site.

The Company also prepared a Corporate Carbon Footprint Report to disclose greenhouse gas emissions from its operations

Kafein complies with international standards and has certifications such as ISO 9001: Quality Management, ISO 27001: Information Technology, Security Techniques - Information Security Management, ISO 22301: Security and Resilience - Business Continuity Management, ISO 37001: Anti-Corruption Management, ISO 14064-1: Corporate Greenhouse Gas Standard, ISO 5001: Energy Management System Standard, ISO 10002: Customer Satisfaction Management.

During the rating period, there was no fine or lawsuit filed against the Company due to any environmental damage.

## SECTION 4: BOARD OF DIRECTORS



### SYNOPSIS

+	The Board of Directors periodically reviews the effectiveness of risk management and internal control systems
+	Each member is entitled to 1 vote
+	Principles of remuneration of Board members and senior executives are established and disclosed to the public
+	Any potential losses incurred by the Company and third parties as a result of misconduct by the members of the Board are insured with a coverage exceeding 25% of the Company's capital, and disclosed on PDP
-	CEO (General Manager) and Chairman of the Board of Directors are the same person
-	Majority of the Board members hold executive duties
-	Remuneration and benefits provided to Board members and to managers with administrative responsibility are not disclosed on individual basis (disclosure on individual basis is essential)

#### 4.1. Functions of the Board of Directors:

Strategic decisions of the Board of Directors aim to manage the Company's risk, growth, and return

balance at an appropriate level and conduct a rational and cautious risk management approach with a view to the long-term interests of Kafein. The Board administers and represents the Company within these parameters.

The Board of Directors has defined the Company's strategic goals and identified the needs in human and financial resources, and controls management's performance.

#### 4.2. Principles of Activity of the Board of Directors:

Board of Directors performs its activities in a transparent, accountable, fair and responsible manner.

Distribution of tasks between the members of the Board of Directors is explained in the Annual Report.

The Board of Directors has established internal control systems, including risk management and information systems and processes, by taking into consideration the opinions of the relevant Committees. Within this framework, the Board of Directors reviews the effectiveness of risk management and internal control systems at least once a year.

The presence, functioning, and effectiveness of internal controls and internal audit are explained in the Annual Report.

The Board monitors possible conflicts of interest of management, its members and shareholders, including misuse of Company assets and misconduct in related party transactions.

There is no individual in the Company who has unlimited authority to take decisions on his/her own.

On the other hand, the duties of Chief Executive Officer (General Manager) and Chairman of the Board of Directors are not separated and are held by the same person.

#### **4.3. Structure of the Board of Directors:**

Board of Directors of Kafein is composed of 6 members of which 4 hold executive duties. Among the non-executive members there are 2 independent members who have the ability to execute their duties without being influenced under any circumstances. There are 2 female Board members. Tenure of office for independent members is designated as 3 years and all of them possess the independence qualifications specified in the Corporate Governance Principles.

The Corporate Governance Committee has evaluated the nominations of candidates for independent membership, including those of the management and shareholders, by taking into consideration whether or not the candidate meets the independence criteria, and has submitted a report to the Board of Directors for approval.

CMB criteria are complied with in determining independent candidates. Independent candidates for the Board of Directors have each signed a declaration of independence within the framework of the legislation, Articles of Association, and the CMB criteria.

There is an HR Working Principles and Code of Conduct directive approved by the Board of Directors and a target ratio of not less than 25% and a target time has been set for the ratio of female members on the Board of Directors.

#### **4.4. Conduct of the Meetings of the Board of Directors:**

Board meetings take place with sufficient frequency. A total of 31 meetings were held during the year, with an attendance rate of 89%.

Chairman of the Board of Directors sets the agenda for Board meetings in consultation with other members.

Information on the agenda items of the Board of Directors is made available to the members in sufficient time prior to the meeting date by a coordinated flow of information.

Each Board member is entitled to a single vote.

The conduct of the Board of Directors meetings is documented in writing in the Company's internal regulations.

The external duties of the members of the Board of Directors are presented to the shareholders in the information document of the general shareholders' meeting. Members of the Board of Directors are not restricted from assuming other duties outside the Company.

#### **4.5. Committees Established Within the Board of Directors:**

Corporate Governance, Audit and Early Determination of Risk Committees are established from within the Board of Directors in order to fulfill its duties and responsibilities duly.

Functions of the Committees, their working principles, and members are designated by the Board of Directors and disclosed to public on the corporate web site.

All members of the Audit Committee and other Committees are elected among the independent members of the Board of Directors. The chief

executive officer/general manager does not serve on the Committees.

There are no executive Board members on the Committees. Except the independent members, care has been taken to ensure that a member of the Board of Directors is not assigned to more than one Committee.

All necessary resources and support needed to fulfill the tasks of the Committees are provided by the Board of Directors. Committees can invite the manager they deem necessary to their meetings and receive their opinions.

The frequency of meetings of the Committees is sufficient. According to the CGIF statement, the Corporate Governance Committee convened 3 times, the Audit Committee 5 times and the Early Determination of Risk Committee 6 times in 2022.

The Committees report to the Board on their activities and the results of their meetings.

The Audit Committee;

- Supervises the operation and efficiency of the Company's accounting system, public disclosure, external audit and internal audit systems,
- Determines the methods and criteria to be applied on reviewing complaints that are received by the Company regarding Company accounting, internal and external independent audit systems, within the framework of the principle of confidentiality and finalizes them,
- Following taking the opinion of responsible managers of the Company and the external auditor, notifies the Board in writing on whether the annual and interim statements disclosed to the public is in accordance with the Company's

accounting principles, true and accurate,

- Immediately notifies the Board in writing on findings related to their duties and responsibilities and the related assessment and recommendations.

Audit Committee members possess the qualifications mentioned in the Communiqué.

The Annual Report contains information on working principles of the Audit Committee, the number of written notices given to the Board of Directors within the fiscal year, and the meeting resolutions.

The nomination and election process of the external audit firm, taking into account its competence and independence, starts with a proposal from the Audit Committee to the Board and ends with the Board's choice being presented and approved at the general shareholders' meeting.

The Corporate Governance Committee is established in order to determine whether or not the corporate governance principles are being fully implemented by the Company, if implementation of some of the principles are not possible, the reason thereof, and assess any conflict of interests arising as a result of lack of implementation of these principles, and present remedial advices to the Board of Directors. In addition, it oversees the work of the Investor Relations Department.

In accordance with the Communiqué, Ms. Zehra Uluç, Investor Relations Department Manager, is a member of the Corporate Governance Committee.

The Corporate Governance Committee works to establish a transparent system for the identification, evaluation and training of suitable candidates for the

Board of Directors and managerial positions with administrative responsibilities, and to determine policies and strategies in this regard. The Committee regularly evaluates the structure and efficiency of the Board of Directors and submits its recommendations to the Board regarding possible changes in these matters.

The Committee for Early Determination of Risks achieves early identification of risks that may jeopardize the Company's existence and continued development, implements the necessary measures identified with the associated risks and conducts studies to manage such risks.

The Early Determination of Risk Committee reviews risk management systems every two months, 6 times a year.

The Corporate Governance Committee determines the principles, criteria and practices to be used in the remuneration of the members of the Board of Directors and managers with administrative responsibilities, taking into account the long-term goals of the Company, and monitors them.

Nomination and Remuneration Committees are not established within the Kafein Board of Directors, and their duties are carried out by the Corporate Governance Committee in accordance with the Communiqué.

#### **4.6. Remuneration of the Board of Directors and Managers with Administrative Responsibility:**

The principles of remuneration of Board members and senior executives has been documented in writing and submitted to the shareholders as a separate item in the general shareholders' meeting.

A remuneration policy prepared for this purpose can be found on the corporate web site. Stock options or performance-based payments are not included in the remuneration package of the independent Board members.

The remuneration of the independent Board members is set at a level that preserves their independence.

As declared via the CRF notification, the Company does not lend any funds or extend any credits to a member of the Board or to senior executives, or grant any personal loans through a third party, or extend any guarantees.

On the other hand, remuneration and all other benefits provided to the members of the Board of Directors and executives with administrative responsibilities are provided collectively through the Annual Report. Full implementation of Corporate Governance Principles dictates reporting on an individual basis.

An insurance policy has been issued for the compensation of the losses incurred by the Company and third parties due to the failure of the executives with administrative responsibility to fulfill their duties properly.

Orientation process for newly appointed managers is determined in writing in the Company's internal regulations through the HR Procedure, and the Training Procedure.

There have been no cases where the executives used confidential and non-public Company information in favor of themselves or others.

There are no executives who accepted a gift or favor directly or indirectly related to the Company's affairs, and provided unfair advantage.

## Rating Definitions

Rating	Definition
9 - 10	The company performs very good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified and actively managed all significant corporate governance risks through comprehensive internal controls and management systems. The company's performance is considered to represent best practice, and it had almost no deficiencies in any of the areas rated. Deserved to be included in the BIST Corporate Governance Index on the highest level.
7 - 8	The company performs good in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified all its material corporate governance risks and is actively managing the majority of them through internal controls and management systems. During the rating process, minor deficiencies were found in one or two of the areas rated. Deserved to be included in the BIST Corporate Governance Index.
6	The company performs fair in terms of Capital Markets Board's corporate governance principles. It has, to varying degrees, identified the majority of its material corporate governance risks and is beginning to actively manage them. Deserved to be included in the BIST Corporate Governance Index and management accountability is considered in accordance with national standards but may be lagging behind international best practice. During the ratings process, minor deficiencies were identified in more than two of the areas rated.
4 - 5	The company performs weakly as a result of poor corporate governance policies and practices. The company has, to varying degrees, identified its minimum obligations but does not demonstrate an effective, integrated system of controls for managing related risks. Assurance mechanisms are weak. The rating has identified significant deficiencies in a number (but not the majority) of areas rated.
<4	The company performs very weakly and its corporate governance policies and practices are overall very poor. The company shows limited awareness of corporate governance risks, and internal controls are almost non-existent. Significant deficiencies are apparent in the majority of areas rated and have led to significant material loss and investor concern.



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